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I. NAPSNet

- 1. Six Party Talks
2. DPRK Sanctions and Consumerism
3. DPRK Succession
4. Liquidation of KEDO
5. ROK Defenses
6. US-ROK Trade Relations
7. Japan-ROK Trade Relations
8. Japan Defense Policy
9. Sino-Japanese Joint History Study
10. US-PRC Nuclear Technology Transfer
11. PRC Government Control
12. PRC Urban Growth
13. Pollution in Asia

Preceding NAPSNet Report

I. NAPSNet

1. Six Party Talks

Reuters ("N.KOREA BRINGS LAUNDRY LIST OF DEMANDS TO TALKS", 2006-12-18) reported that the DPRK "set out sweeping demands" at the opening of the Six Party Talks. US envoy Christopher Hill told the press of the DPRK's "exhaustive list" and said Washington's patience had "reached its limit," but added that "We don't have the option of walking away from the problem. Their future is very much at stake," Hill said. "We do need to see some results," he added. The DPRK's stance, however, is an expected negotiated position. "They just said what they wanted to say and made all the demands it can think of," an ROK official said. "They will become a bit more realistic (as the talks progress)." Chief DPRK negotiator Kim Kye Gwan said it was his country's ultimate goal to abandon its nuclear programs, but that the DPRK must be provided with a light-water nuclear reactor to meet its civilian energy needs and substitute energy aid until the reactor is completed in order for it to begin doing so. Further, the US must end its "hostile policy" and lift the economic sanctions. A separate U.S. Treasury Department delegation is expected to meet the DPR Koreans to discuss the financial standoff.

(return to top) Chosun Ilbo ("N KOREA FAILS TO SHOW FOR BILATERAL MEETING WITH U.S.", 2006-12-18) reported that U.S. top nuclear negotiator Christopher Hill and his counterpart Kim Kye-gwan were to meet in Beijing on Sunday but Kim never showed up. A government official in Seoul said Kim apparently believes no preliminary meeting is necessary and things can be worked out during the six-party talks. But the two did meet at a dinner at the Diaoyutai State Guesthouse organized by the PRC's top nuclear negotiator Wu Dawei. The three shared the same table, but Hill and Kim greeted each other only once, sources said. All eyes are also on another planned meeting, where the U.S. and the DPRK will discuss Pyongyang’s accounts frozen in the Macau-based Banco Delta Asia. Dozens of DPRK accounts worth altogether US$24 million were frozen by the U.S. Treasury over alleged dollar-counterfeiting activities. The meeting is to be held separately from the six-party talks but is directly related to their success, since the DPRK has repeated that lifting the financial sanctions is key to resumption of the talks. A senior U.S. official on Saturday said the two countries will simply exchange information on the issue. Daniel Glaser, the U.S. Treasury’s deputy assistant secretary for terrorist financing and financial crimes, will attend the working group meeting. Glaser has been in charge of investigating North Korea's illegal activities including its production of fake U.S. dollar notes. His counterpart will be the Foreign Ministry's U.S. chief Li Gun. Li was also Glaser's negotiating partner in a meeting in New York in March this year. However, some say another financial expert from the DPRK will attend the meeting, most likely a senior official from the Central Committee’s notorious Bureau 39, which defectors say was set up in the 1970s to create a personal slush fund for Kim Jong-il. Seoul has no part of the working group, not even as an observer. (return to top)

2. DPRK Sanctions and Consumerism

Wall Street Journal ("CLOSE-OUT SALE: NORTH KOREA'S ELITE SHOP WHILE THEY CAN", 2006-12-18) reported that the UN call for a crackdown on luxury goods to the DPRK seems to have increased consumerism among DPR Koreans. Reports that some DPR Korean customers are crossing the border into Dandong, PRC and buying Toyota cars, big screen televisions in cash. Gold is also gaining a following. Wang Xiaoju, a saleswoman at the jewelry counter at Xin Yi Bai Department Store, says DPRK women come in nearly every day, mostly to buy gold chains and other gold jewelry. Women are also frequent visitors to a riverfront spa, favoring milk baths and massages, according to staff there. A saleswoman at the Xin Yi Bai L'Oreal counter says DPR Koreans are regular customers. In the first 10 months of this year, PRC exports of fur coats and fake furs to the DPRK soared more than sevenfold from the year-earlier period, according to PRC Customs figures.

Exports of televisions and other consumer electronics were up 77%, while perfumes and cosmetics were up 10%. Some DPR Koreans are even buying real estate in Dandong. One high-rise building, where three bedroom apartments go for nearly $100,000 each, has sweeping views of a DPRK village with crumbling cinder-block houses across the border. A DPRK buyer recently purchased one of the units with cash, according to the building's sales agent. "The elites have had more freedom to do their own business" since economic overhauls in 2002, says Yang Chang Seok, a senior official at the ROK's Unification Ministry. "People have earned a lot of money from trading."

(return to top)

3. DPRK Succession

Donga Ilbo ("NORTH KOREAN MILITARY: NEW REGIME?", 2006-12-18) reported that it obtained a report titled "North Korea's Crisis Management System and Our Countermeasures" released by the information committee of the National Assembly. The report predicts that "we cannot rule out an abrupt collapse of the Kim Jong Il regime. But, given the neighboring countries do not have firm grounds for intervention, the fall of North Korea will happen gradually." It was submitted to the committee on December 13 by three researchers of Peace Foundation, Cho Seong-ryeol, Kim Hak-rin and Kang dong-ho. If collapse happens, the report forecasts that the military is highly likely to control the government and independent units, such as the escort command, and the security command and the operation command will attempt to take control of the government by joining forces or individually. It has been analyzed that the establishment of a succession system is more urgent for Kim Jong Il than the overcoming of the economic crisis through reform and market opening or the formation of diplomatic ties with the U.S., since Kim is well aware that an emergency in the absence of the succession system will lead to a civil war. For this reason, it says, chances are that Pyongyang will formalize the succession system internally in the first half of 2007, when internal cohesion following its nuclear test and the supportive atmosphere for the third-time succession of military authority to protect the vested interest of the "Military First politics" still remain. The report also connects the gradual stabilization of the succession system and the resolution of the nuclear problem. It estimates that Kim will demand approval of the succession system and massive economic assistance in return for denouncement of nuclear weapons, and that the Pyongyang-Washington ties will be normalized if Washington accepts the demand.

(return to top)

4. Liquidation of KEDO

Chosun Ilbo ("KEPCO TO GET UNUSED N. KOREAN REACTOR PARTS", 2006-12-15) reported that the ROK government and power monopoly KEPCO are under fire for signing an unfavorable liquidation deal to end the DPRK light-water reactor project with the Korean Peninsula Energy Development Organization (KEDO). In the final agreement on Tuesday, KEPCO agreed to pay all liquidation costs payables included, in return for all equipment still outside the DPRK such as a nuclear reactor and turbine generators now owned by KEDO. While the agreement stipulates that the two sides are to "discuss" it if KEPCO makes excessive profits from the liquidation, it makes no provision for KEDO to shoulder any cost if the Korean power provider suffers a loss. KEPCO is reportedly considering exporting the equipment or using it to replace domestic equipment. Experts say the plan is unfeasible since most equipment is site-specific and KEPCO will lose out. But a Unification Ministry official said that is unlikely since the government and KEPCO estimate the liquidation costs at US $150-200 million but the equipment cost some $830 million.

(return to top)

5. ROK Defenses

Chosun Ilbo ("SEOUL TO BOOST DEFENSE AGAINST N. KOREAN NUKES, MISSILES", 2006-12-15) reported that the ROK is to deploy "bunker busters" -- bombs designed to destroy underground nuclear facilities or missile bases -- ahead of schedule and set up a ballistic-missile early warning system to respond to the nuclear and missile threats from the DPRK. The Defense Ministry said Thursday the National Assembly's Defense Committee decided to increase the emergency budget to respond to Pyongyang's arsenal by W39.2 billion (US$1=W921). The money is to buy bunker busters worth W2.3 billion and laser-guided bombs worth W7.5 billion, improved high altitude electromagnetic pulse (EMP) protection for ground facilities worth W700 million, ballistic-missile early warning radar worth W100 million, unmanned aerial vehicles (UAVs) worth W100 million and radioactivity detection sets worth W500 million. The ministry's original budget did not include outlays for such weapons systems.

(return to top)

6. US-ROK Trade Relations

Agence France-Presse ("SOUTH KOREA REJECTS US REQUEST TO DISCUSS BEEF AT FTA TALKS ", 2006-12-18) reported that the ROK has rejected a US demand that talks on forging a free trade agreement (FTA) include a dispute over US beef exports, officials have said. The disagreement prompted the US to postpone a working-level FTA session on sanitary conditions for the import of agricultural products, the Ministry of Agriculture said.

(return to top)

7. Japan-ROK Trade Relations

Kyodo ("JAPAN, S. KOREA AGREE TO CONTINUE EFFORTS TO RESUME FTA TALKS", 2006-12-18) reported that Japan and the ROK agreed Monday they will continue efforts to resume negotiations on a proposed bilateral free trade agreement, a Japanese Foreign Ministry official said. But there was no consensus as to restarting the FTA negotiations anytime soon, an official said. Tokyo and Seoul have suspended their FTA negotiations since November 2004 as Japan refused to open its market for agricultural products as widely as demanded by the ROK.

(return to top)

8. Japan Defense Policy

Washington Post ("JAPAN UPGRADES ITS DEFENSE AGENCY", 2006-12-18) reported that Prime Minister Shinzo Abe's government pushed through landmark laws Friday elevating the Defense Agency to the status of a full ministry for the first time since World War II. The key set of bills upgrading Japan's Defense Agency to the status of a full ministry. The move gives defense officials greater clout in national policymaking and budget decisions, something considered taboo here in the decades after the war.

(return to top)

9. Sino-Japanese Joint History Study

Agence France-Presse ("JAPAN, CHINA TO LAUNCH HISTORY TALKS NEXT WEEK", 2006-12-18) reported that Japan has said it will hold its first joint history study with the PRC next week and called for both sides to be open-minded so they can improve ties strained over the past. A 10-member Japanese team will hold its first meeting with its PRC counterparts on December 26-27 in Beijing, chief government spokesman Yasuhisa Shiozaki announced.

(return to top)

10. US-PRC Nuclear Technology Transfer

The New York Times ("BLESSED BY A U.S. OFFICIAL, CHINA WILL BUY 4 NUCLEAR REACTORS", 2006-12-18) reported that the PRC will buy four Westinghouse nuclear reactors in a deal that shows the continued attractiveness of US technology, but may also stir worries that the US is selling its competitive advantage one industry at a time. Michael R. Wessel, a commissioner of the US-China Economic and Security Review Commission, which was created by Congress to review bilateral relations, expressed concernthat based on the broad outlines of the deal, "it appears they are doing what other companies have done, which is to transfer the technology upfront."

(return to top)

11. PRC Government Control

Reuters ("CHINA TO KEEP "ABSOLUTE CONTROL" OF KEY SECTORS", 2006-12-18) reported that the PRC plans to keep an "absolute ability to control" seven key sectors including oil and telecoms, state television said, even as it tries to expose its creaking state-owned firms to the rigours of a market economy. "The state will retain absolute ability to control seven key sectors that concern national security and economic viability -- military industry, power and the power grid, petrochemicals and oil, telecommunications, coal, civil aviation and shipping," state television said.

(return to top)

12. PRC Urban Growth

The Washington Post ("IN CHINESE BOOMTOWN, MIDDLE CLASS PUSHES BACK", 2006-12-18) reported that when residents here in southern PRC's richest city learned of plans to build an expressway that would cut through the heart of their congested, middle-class neighborhood, they immediately organized a campaign to fight City Hall. Increasingly, though, with its growing pains multiplying, Shenzhen looks like a preview, even a warning, of the limitations of the kind of growth-above-all approach that has gripped much of the PRC.

(return to top)

13. Pollution in Asia

The Associated Press ("EXPERTS: ASIA SLOW TO ACT ON POLLUTION", 2006-12-18) reported that Asia needs to follow the lead of the US and Europe and enact regional pacts to reduce cross-border pollution, setting emission limits on sulfur dioxide, nitrogen oxide and other chemicals, several experts at the Better Air Quality Conference 2006 said. Nations have not done so yet because of political sensitivities, questions over research findings and fears among the biggest polluters that the agreements could hurt their economies, experts told The Associated Press.

(return to top)

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